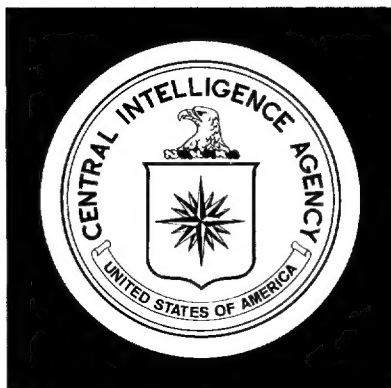


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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar strengthened world-wide yesterday in unofficial interbank trading as monetary authorities prepare for the meeting in Paris on Friday.

The dollar showed its greatest strength relative to the pound and Swiss franc. The pound closed down 2 percent from Friday while the Swiss franc was off 2.6 percent, but nevertheless still more than 20 percent above the pre-dollar devaluation central rate. The decline reflects money market anticipation of lower dollar rates for these floating currencies if, and when, a joint EC float is realized. In light trading the dollar also showed modest gains against other major currencies.

After some preliminary discussions on the problems of the joint float, the EC finance ministers called for a meeting on Friday of the Group of Ten and representatives from the smaller EC countries. The French intend to use the meeting to convince the US that the present rate structure should be defended, but, failing this, Paris may still agree to support a joint EC float if the UK is included. Although the West Germans are hopeful that a joint float can be implemented, Bonn may be forced to float independently in the absence of an EC agreement.

The Tokyo foreign exchange market probably will remain closed until the European markets are reopened. When trading resumes the Bank of Japan may continue the yen float until mid-year if the EC agrees to a joint float. The government believes a long float would help Tokyo's international image but only if large-scale intervention in the exchange market can be avoided. Until the market closed last week, central bank intervention was held to a minimum, partially because of various stop-gap measures including the delay of central bank approvals of

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export licenses. Such moves are likely to be continued unless Tokyo is prepared to accept a substantially higher yen appreciation than has already occurred. Tokyo apparently wishes to limit the yen's revaluation to no more than 20 percent. [REDACTED]

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CHILE: The unusual delay in announcing final results of congressional elections held on 4 March will have prolonged repercussions.

Opposition spokesmen were not satisfied by the Allende government's explanations for postponing the official total vote tally, despite reassurances from Interior Minister and army chief General Prats.

The delay centered on returns in Santiago, where some 35 percent of Chilean voters live and where top leaders of parties on both sides contended against others in their own coalition as well as against opposition candidates. The key question was whether Communist Senator Teitelboim and Socialist Senator Altamirano, bitter rivals representing the deep divisions in Allende's Popular Unity (UP) coalition, were both re-elected. Opposition leaders suspect that the lag in reporting women's votes was designed to ensure the re-election of both when opposition candidates appeared to have captured all but one of Santiago's five senate seats.

Official returns now support the UP claim that it has whittled several seats from the opposition majority in both congressional houses. Thus the Christian Democratic and National parties will need to work more closely than before to oppose Allende's programs effectively. Neither seems disposed, however, to continue the cooperation that marked their common electoral campaign.

General Prats' recent references to the basic uncongeniality of the two major opposition parties may be a first step in a renewed effort on his part to get the Christian Democrats into an exploratory "dialogue" with the government. Prats apparently intends to keep the armed forces in the cabinet and may feel that moderate oppositionists should join his efforts to ease political tensions and modify the administration's more radical programs. [REDACTED]

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EUROPEAN LABOR: The decision of the European affiliates of the World Confederation of Labor (WCL) to apply for membership in the new European Trade Unions Confederation (ETUC) advances the effort to organize a European-wide, non-Communist labor grouping.

European affiliates of the International Confederation of Free Trade Unions (ICFTU) already belong to the ETUC. The French Confederation of Democratic Trade Unions (CFDT) contends that the large Communist-dominated unions of France and Italy with the support of the Soviet-dominated World Federation of Trade Unions (WFTU) will try to frustrate the formation of a strong West European labor body. The CFDT has been urging the other WCL unions to join the ETUC. The CFDT's campaign, which had the support of the two Dutch affiliates, has apparently now picked up the support of the Belgian Confederation of Christian Trade Unions--the most powerful of the WCL affiliates.

Some of the ETUC's present members have mixed feelings about accepting the new applicants, but it is doubtful that there will be enough opposition to keep them out. The main opponents will be the ICFTU unions of France and Belgium. Leading ETUC officials have said they strongly favor admission of the WCL unions, and the new ETUC president, British union leader Victor Feather, also endorses their inclusion. Some delay may be caused, however, by organization and policy problems associated with getting the ETUC itself started.

It is possible that the Communist unions in France and Italy will also attempt to join the ETUC, but most of the membership--including new WCL affiliates--would strongly oppose their admission. Enlargement of the ETUC will probably also work against WFTU's campaign for "pan-European" trade union organization.

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ROMANIA-US: Romania has become the first Warsaw Pact country to buy US passenger aircraft, thus adding a new dimension to the already good relations between Washington and Bucharest.

A contract for the purchase of three Boeing 707-320C long-range jet airliners, spare parts, and spare engines, valued at \$45 million was signed last week. During the closing days of negotiations, the Romanians dropped their request that 50 percent of the total price be paid by Romanian manufacture of some Boeing parts. Bucharest instead chose a straight financing arrangement. One of the aircraft will be configured for VIP service and the others probably for passenger service. The aircraft, to be delivered by June 1974, may be used to inaugurate Bucharest-New York and/or Bucharest-Peking service by TAROM, the Romanian national airline.

The Boeing deal is not the first manifestation of Romania's independent stance in civil aviation. TAROM is already flying six medium range BAC-111-400s purchased from the UK in 1968. Although the Romanians agreed to buy three Soviet IL-62s about a year ago, they have continued to postpone delivery dates. The delays may stem from their concern over two accidents involving IL-62 aircraft in recent months.

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TURKEY: General Faruk Gurler's resignation as chief of the general staff is his first step toward becoming president. In order to be eligible for the presidency, Gurler must be a member of parliament; the defense minister has resigned from the senate, providing outgoing president Cevdet Sunay with a vacancy to which he is expected to name Gurler. The election of Gurler as president by parliament on 13 March thus seems assured. It is unlikely that Gurler would have resigned as general staff chief had he not been guaranteed the necessary votes in parliament. His candidacy presumably signifies that Justice Party chief Suleyman Demirel, as well as other party leaders, have bowed to pressures from the generals after several months of wrangling over the choice of the next president. [REDACTED]

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CHINA: Peking purchased 30,000 tons of copper on the London metals market last month, reportedly because Chile--one of its major suppliers--was unable to meet contract delivery deadlines. In the last year or so, China has been contracting directly with copper exporting nations rather than dealing through London brokers. In view of the problem with Chile and China's difficulties in maintaining domestic copper production over the last two years, Peking probably will return to the world market for more copper. London sources are predicting that China will purchase at least 20,000 tons this month. [REDACTED]

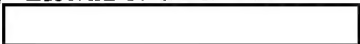
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JAPAN: Tokyo is considering a ten-year economic development plan to reduce Okinawa's dependence on US military bases and raise its per capita income closer to Japan's national average. The program would triple per capita income by 1982 through developing tourism, expanding existing industries, and relocating some plants from the Japanese mainland. The last move would be in line with Tokyo's scheme of stressing industrial development outside major cities. 

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